

KFC
501
.A753
1976

ANALYSIS OF THE CURRENT AND PROPOSED
(1975-76 AND 1976-77)

OPERATING BUDGETS OF THE
BAY AREA RAPID TRANSIT DISTRICT

PURSUANT TO
CHAPTER 1417, STATUTES OF 1974

LIBRARY, SAN JOSE STATE UNIVERSITY

JUNE 16, 1976

LEGISLATIVE ANALYST

STATE OF CALIFORNIA

925 L STREET, SUITE 650

SACRAMENTO, CALIFORNIA 95814

76-9

LIBRARY, CALIF. STATE UNIV. SAN JOSE
DOCUMENTS DIVISION

PRINTING OF THIS REPORT HAS BEEN LIMITED PRIMARILY TO
ANTICIPATED LEGISLATIVE NEEDS. PERMISSION IS GRANTED
TO REPRODUCE IT FOR OTHER PURPOSES AS DESIRED.

TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTION	1
ANALYSIS SUMMARY	3
COST CENTER - ANALYSIS AND RECOMMENDATION	27
APPENDIX	81

KFC 501 .A753 1976

Analysis of the current and
proposed (1975-76 and

INTRODUCTION

Chapter 1417, Statutes of 1974, which extended the special one-half percent sales tax to support the operations of the Bay Area Rapid Transit District (BART), requires this office to submit to the Legislature in June of each year an analysis and recommendations on the district's current and proposed operating budgets.

A sales tax of one-half percent was originally imposed within the district in 1969 to defray the cost of \$150 million in revenue bonds needed to complete the system. Chapter 1417 authorized the extension of the one-half percent sales tax until December 1977 or until a total amount of \$82.2 million is received by the district. It is now anticipated that the district will receive the aggregate amount of \$82.2 million during September 1977. ^{/1} This amount is being utilized to defray operating costs, which includes interest and principal payments on \$24 million in revenue bonds. Bonding was necessary in the 1974-75 and 1975-76 fiscal years to meet operating needs, because the one-half percent sales tax revenues were committed fully until December 1975 to defray the cost of the \$150 million revenue bonds authorized in 1969. Thus, actual sales tax revenues for operating purposes were not received by the district until January 1976.

1975-76 Operating Experience

The proposed 1975-76 district budget projected an expenditure of \$71.5 million which included an improvement allowance of \$2 million.

^{/1} Legislation currently pending would extend collection of this tax through June 30, 1978.

This would have created a \$12.6 million unfunded deficit which was to be defrayed by borrowing from the capital account. The borrowed sum was to be repaid in the 1976-77 fiscal year.

In our analysis of the district's current year budget, we recommended specified adjustments to expenditures and revenues in the amount of \$13.3 million which would have more than eliminated the prospective deficit.

The district board of directors adopted a budget of \$66.1 million which included a \$1.5 million improvement allowance. Through subsequent adjustments, the district projected a need to borrow only approximately \$1.9 million from the capital account. In recent days management has projected an even lower borrowing need.

On the basis of other adjustments such as increased sales tax revenue, the elimination of an inventory buildup, and savings in salaries and benefits, we estimate that the 1975-76 fiscal year expenditures will approximate \$59.9 million which excludes \$3.6 million in capital account charges. Therefore, rather than having to borrow capital funds, a balance of approximately \$100,000 can be carried over into the 1976-77 fiscal year budget.

ANALYSIS SUMMARY

The proposed BART budget for 1976-77 shows total expenditures of \$85.71 million and total income of \$71.54 million, resulting in an estimated unfunded deficit of \$14.17 million. The proposed expenditures represent an increase of 35 percent over the actual and estimated current year level of \$63.5 million (\$59.9 million for operations plus \$3.6 million for capital charges).

We are unable to compare the 1975-76 budget expenditure categories with the proposed 1976-77 budget because data to reflect year-end adjustments are not available. This lack of data severely hampers our effort to provide the Legislature with a comparative analysis of district expenditures in the various categories and is the primary reason why we have recommended in this report improved budgetary procedures and a revised management information system.

We believe that BART can reduce its 1976-77 proposed expenditures to \$74.19 million, and increase its anticipated income to \$72.68 million through various adjustments which we have proposed hereafter. This would result in a net unfunded deficit of \$1.51 million in 1976-77. The budget proposed by the district is compared to our recommended budget in Table I.

A summary of our recommended changes is shown in Table II. We have recommended several changes in proposed expenditure levels, including the following:

1. Eliminate \$4.64 million for service extensions.
2. Reduce \$3.04 million in personnel costs.
3. Reduce \$3.34 million in nonlabor costs, and
4. Reduce \$500,000 in the improvements allowance.

We have also recommended major adjustments to projected income, including:

1. Addition of \$2.44 million in revenues attributable to a net savings on payback of the original sales tax bonds.
2. An additional \$1.13 million in sales tax receipts projected for 1976-77, and
3. Addition of \$1.95 million in income resulting from elimination of the proposed payback of capital which was to have been advanced in 1975-76.

Furthermore, it is our judgment that the board and district management can realize other economies and revenues which should produce a balanced operating budget in 1976-77. As discussed on page 26 of this report, the imposition of parking charges at BART stations and the utilization of additional salary savings can eliminate the projected \$1.51 million deficit.

Efforts at improving BART are hampered because the district simply does not have an adequate management information system or viable budgeting and accounting procedures. Current systems do not provide the information necessary to enable the district to effectively control costs or make meaningful plans with regard to service levels. The implementation of improved procedures should be a top priority of the district.

TABLE I
BAY AREA RAPID TRANSIT DISTRICT TENTATIVE BUDGET,
1976-77

<u>Expenses</u>	Budget (millions)	
	<u>BART</u>	<u>Legislative Analyst</u>
Salaries and Benefits	\$57.11	\$50.23
Total Nonlabor and Direct Program Costs	<u>25.60</u>	<u>21.46</u>
Total Expenses	\$82.71	\$71.69
Contingency	1.00	1.00
Improvement Allowance	<u>2.00</u>	<u>1.50</u>
Total District Expenses	<u>\$85.71</u>	<u>\$74.19</u>
<u>Income</u>		
Operating Revenue	\$29.35	\$24.97 <u>/a</u>
Other Fund Sources		
TDA	0.30	0.30
Section 5	3.00	3.00
Property Tax	5.17	5.17
Sales Tax	28.30	29.43 <u>/b</u>
Capital Funds	7.37	7.37
Less Capital Advance	<u>(1.95)</u>	<u>--</u>
Subtotal	\$42.19	\$45.27
Sales Tax Bond Savings	<u>--</u>	<u>2.44</u> <u>/c</u>
Total Income	<u>\$71.54</u>	<u>\$72.68</u> <u>/d</u>
Net Deficit	<u>\$14.17</u>	<u>\$ 1.51</u>

/a Includes fare and advertising revenues.

/b Assuming 8.5 percent annual growth rate, and total sales tax receipts of \$45.73 million.

/c See letter from William Goeltz to the State Board of Equalization in the Appendix.

/d Does not include probable operating expenses surplus of \$100,000 in 1975-76.

TABLE II

RECOMMENDED ADJUSTMENTS TO THE BAY AREA RAPID TRANSIT DISTRICT
1976-77 OPERATING BUDGET

<u>Expenses</u>	<u>Amount (millions)</u>
BART Proposed Expenses	\$85.71
Recommended Reductions	
1. Labor Expenses	
Service Extensions	(3.84)
Other Personnel	(1.25)
Merit Increases and PERS	(0.37)
Salary Savings of 3 percent	<u>(1.42)</u>
Subtotal	(\$6.88)
2. Nonlabor Costs	
Service Extensions	(0.80)
Other Reductions	<u>(3.34)</u>
Subtotal	(\$4.14)
3. Improvements Allowance	<u>(0.50)</u>
Total Reductions	<u>(\$11.52)</u>
Total Adjusted Expenses	<u>\$74.19</u>
<u>Income</u>	
BART Proposed Income	\$71.54
Recommended Changes	
1. Capital Advance Payback	1.95
2. Service Extensions	(3.33)
3. Advertising	(0.75)
4. Express Bus	(0.30)
5. Sales Tax Bond Savings	2.44
6. Sales Tax Growth at 8.5 percent	<u>1.13</u>
Total Adjusted Income	<u>\$72.68</u>
NET DEFICIT	<u>\$ 1.51</u>

In the report, we have identified numerous examples of such deficiencies. ^{/1} These examples illustrate instances of duplication in the proposed budget and insufficient justification for expenditures.

EXTENDED SERVICE

The most fundamental policy difference between this office and district management pertains to short-term extensions of service. BART's proposed budget includes \$4.6 million in expenditures for the extension of service to weekends and for regular direct service between Richmond and Daly City. These service extensions would increase the net deficit by \$1.3 million according to district projections. We recommend deletion of these service extension programs from the proposed budget.

There are two significant reasons for the deletion of service extensions from the proposed budget. First, we believe that the proposed Richmond-Daly City service will not be technically feasible in the budget year. Second, in our judgment, any service extensions can only serve to reduce the reliability of the district's operations in the short-term.

Feasibility

The proposed regular direct Richmond-Daly City service cannot be implemented until several conditions are satisfied. Specifically, these conditions are: (1) the district must complete implementation and testing of the Sequential Occupancy Release (SOR) train control system, and

^{/1} See for example discussion of cost centers 303, 610, 611, 612, 671 and 685.

(2) the Public Utilities Commission (PUC) must certify that SOR satisfies minimum safety standards, and authorize direct service. There is strong evidence to suggest that these conditions will not be met in fiscal year 1976-77 as considerable testing and analysis remains to be done. Consequently, the district should not budget for this service extension.

Reliability

We recognize that the provision of added services would generate benefits for some of the district's patrons. However, service extensions represent a competing application of district resources with programs which we maintain are of a higher priority. The district must take steps to improve the reliability of the system and the dependability of existing services as its first priority. This would result in the greatest benefit to the district's patrons.

In our view, a decision to extend service at this time can only serve to decrease limited financial, managerial, and technical resources available for the solution of the district's pressing reliability and related technical problems. It would also seem axiomatic that, given the lack of reliability and dependability of existing service, extension of service will likewise be unreliable and can only serve to further erode the reliability of overall district operations. This observation has been stated before by our office, and is supported by the findings of Cresap, McCormick and Paget, Inc. and the Lawrence Berkeley Laboratory. ^{/1}

^{/1} Cresap, McCormick and Paget, Inc., A Management Audit of the San Francisco Bay Area Rapid Transit District, report to the California Senate Committee on Public Utilities and Corporations (December 18, 1974), p. II-4; and Lawrence Berkeley Laboratory, A Technical Overview of BART Operations and Programs, report to the Senate Committee on Public Utilities, Transit, and Energy (April 6, 1976).

Furthermore, in our judgment growth in BART patronage is primarily dependent upon improvements in the reliability of the system. By offering more dependable service, BART should be able to attract additional patrons at existing service levels. By contrast, if service extensions further erode reliability, the district runs the risk of losing some of its existing patrons.

Technical Obstacles

The district faces a number of significant obstacles before it can become a reliable, efficient, and dependable transportation system. Several technical problems remain unresolved such as transit car propulsion, brakes, and automatic door operations. Testing and full implementation of the Sequential Occupancy Release (SOR) train protection system is yet to be accomplished, and regular direct Richmond-Daly City service must await certification of SOR by the Public Utilities Commission. This may not be accomplished during the coming year.

The district, furthermore, is still in transition from the construction phase to that of dealing efficiently with full-scale operations. ^{/1} This transitional state is complicated by the district's unresolved technical problems. In addition, BART is in the process of redesigning major operational subsystems.

The district faces another category of problems. In several critical areas, BART has insufficient capacity for large-scale operations.

^{/1} This transitional state was clearly identified by Cresap, McCormick and Paget, Inc., p. II-1. Although organizational progress has been made in the past year, planning for effective organizational changes is still in process.

The technical problems with the transit vehicles have resulted in significant maintenance and repair requirements, and both parts-storage space and certain shop facilities have inadequate capacities for efficient and smooth operation. The district has implemented plans to improve these conditions, but it will continue to be hampered by a lack of capacity and related logistics problems. The district also lacks computer capacity for operating more than approximately 50 trains at one time. This is another logistical problem which must be eventually addressed.

In our judgment, the district's highest priority should be to solve these problems before additional service extensions are implemented if BART is to become a reliable and acceptably efficient operation.

Recent Progress

It should be noted that progress has been made in the past year by the district under a new General Manager and a new Assistant General Manager for Operations. Several programs have been implemented to improve the district's ability to provide reliable three-line service. Technicians have been shifted to mainline operations in order to troubleshoot minor problems, which apparently has decreased mid-line train removals and related passenger inconvenience to some extent. A greater maintenance effort has raised the average number of cars available for revenue service from 212 in July of 1975 to over 240 at the present time. Three additional trains have been added under the CABS ^{/1} train control constraint. These serve the Concord-Daly City line to meet demand on that

^{/1} Computer-Augmented Block System, imposed for safety considerations.

interchange in the morning and afternoon peak periods. One of these trains makes one direct journey from Daly City to Richmond in the morning and returns to Daly City in the afternoon. The district recently opened the new Embarcadero Station in San Francisco, and experienced a gain of 6,000 new patrons per day (a 5 percent increase).

The district has also developed an improved maintenance and car modification plan, which should eventually reduce the removal of trains from revenue service and also improve reliability. This plan will be implemented on July 1, 1976. Improvements have also been evident in resolving problems associated with the braking and propulsion systems. However, numerous serious problems remain. Recent progress makes it all the more imperative that the district maintain its positive momentum, and apply its limited resources to the top priority technical, organizational, and capacity/logistics problems.

PERSONNEL COSTS

We recommend reductions totaling \$1,790,776 in personnel costs budgeted for increased retirement contributions and merit increases, and by taking recognition of expected salary savings.

We also recommend that the board and district management make every effort to stabilize the continued growth in personnel costs in recognition of the serious financial problems which continue to confront the district.

We further recommend that the district adopt a policy whereby all employees make contributions for retirement benefits without salary reimbursement.

Personnel cost is the largest single component of BART's operating expenditures. Over 69 percent of the district's budget, or approximately \$52.9 million of the \$76.3 million in net operating expenses (excluding the improvements allowance and capitalized expenses) ^{/1} proposed for 1976-77, consists of wages, salaries, and fringe benefits to BART employees. We believe it is imperative that the BART board and management recognize the close relationship between district financial stability and control of personnel expenditures. Every step must be taken to insure that growth in these expenses is limited to the lowest possible settlement consistent with prevailing personnel practices.

In our analysis of the district's 1975-76 budget and in our report on financing public transportation in the Bay Area, ^{/2} we expressed the view that BART and other Bay Area transit systems must break the pattern of spiralling compensation increases if a sound fiscal balance is to be achieved. While some escalation in compensation expenditures is due to staff increases associated with service increments, generous wage and salary settlements resulting from contract negotiations and extensive compensation allowances for exempt employees have been the primary factors in the rapid growth of BART's personnel costs. For example, the average annual compensation (salary and fringe benefits) for an individual train operator has risen from \$16,766 in 1973-74 to \$21,763 in 1975-76, an increase of 29.8 percent in a two-year period.

^{/1} Capitalized expenses are incurred for improvements to the physical plant of the district, or expenses directly related to improvements. Some of these expenses which can be charged to the district's capital programs are included in the operating budget.

^{/2} Financing Public Transportation in the San Francisco Bay Area, Office of the Legislative Analyst, November 1975.

Continuation of this liberal policy for employee compensation is hampering efforts to gain control of expenditures. In light of upcoming contract negotiations (July 1976), it is our judgment that responsible management practice in this instance dictates the need for a settlement which recognizes the critical nature of the district's operating deficit. Moreover, we believe that compensation adjustments for exempt employees, including executive management, likewise must reflect the need to stabilize the district's budget. If the historical pattern of personnel compensation continues, increases in payroll expenditures will soon outstrip potential sources of additional revenue and exacerbate the current fiscal crisis.

Our report on financing of Bay Area transit systems recommends that growth in personnel costs be limited to increases in consumer prices. ^{/1} We believe that the increases in total equivalent compensation (annual salaries and benefits) for all employees, including nonunion employees, should be restricted to the annual growth in consumer prices. This policy would be necessary for the immediate future to rectify the short-term fiscal crisis of the district and to correct the situation noted in our November report. Our findings demonstrated that BART salaries and benefits were consistently higher than the prevailing rates for other transit personnel, as well as employees in government and comparable private occupations.

Recent negotiations with bargaining units representing employees of San Diego, Sacramento, and Golden Gate transit districts have

^{/1} Ibid, pg. 70.

indicated that both management of these districts and the general public have pressed for such limits in compensation increases. We understand that these settlements, which have been applied to both union and non-union employees, restrict all salary adjustments, including merit increases, to changes in consumer prices.

As a first step towards improving BART's financial situation, the Board of Directors should follow the example provided by other transit operators and require that such constraints on payroll costs be included in the negotiated settlement. Further, the board should insure that such limitations are also applied to compensation expenditures for nonunion employees, consistent with personnel cost restrictions imposed on contract employees.

Exempt Employee Benefits

Exempt employees, which include management personnel, confidential secretaries, and other personnel who are not members of bargaining units, comprise approximately 15.6 percent of the district's authorized positions.

As a result of contract negotiations effective July 1, 1973, the district is required as of July 1, 1975 to reimburse, through salary increases, union employees for their contributions to the Public Employees' Retirement System (PERS). By resolution, the district board decided in July 1975 to extend this benefit to all nonunion employees except management personnel. The board then acted to defer the reimbursement benefit for management until July 1, 1976, as a cost-saving measure.

By contrast, state employees contribute to PERS at rates of 5 percent of salary if they are also members of the Social Security system or

6 percent if nonmembers. The state, as an employer, contributes 12.67 percent of employee salaries to PERS. There is no provision for reimbursement of employee PERS contributions through salary increases or other means in state government.

We believe that the board's actions are not only contrary to the general practice whereby employees contribute towards their retirement benefits, but are also inappropriate because the district does not have the financial resources to support these costs. In our judgment, the board should not extend salary reimbursement for PERS contributions to management personnel, thereby saving approximately \$114,000. In addition, the district should attempt to eliminate the PERS contribution salary offsets granted to contract and other exempt employees. While the budget adjustments resulting from this action are not currently known, we believe that the district must support a uniform policy of eliminating salary reimbursements for employee retirement contributions, while concurrently limiting the net total equivalent compensation for district employees to consumer price adjustments.

The district is also proposing the expenditure of \$264,000 for merit salary increases to exempt employees, in addition to cost of living adjustments. In light of our recommendation that increases in employee compensation expenses be limited to consumer price changes, we recommend that this expenditure be eliminated. The actual saving would be \$255,000 because of other recommendations affecting personnel costs which reduce the original amount budgeted by \$9,000.

Salary Savings

During the course of district operations in any given year, substantial savings in personnel costs can be expected from employee turnover, time lags in filling vacancies and filling of vacancies at lower wage or salary levels. In addition, when a general salary increase is applied across the board during budget preparation, a savings will accrue because some employees are at the top of a given salary range and thus would not receive the adjustment. The flexible budgeting system presently used by BART essentially absorbs any such cost savings and allows reallocation of salary economies to departments which exceed budgeted personnel expenditures. In effect, expected salary savings within individual departments are not reflected in the district budget, although such savings normally occur every fiscal year.

When developing agency and department budgets, the state Department of Finance imposes a minimum salary savings rate of 3 percent to the budgeted amounts for total personnel costs. The department indicates that this rate, which can be as high as 5 percent for departments with growth in authorized positions, fairly reflects expected salary economies during the budget year. In its application of salary savings, the department estimates that savings result from turnover and vacancies in equal proportions.

We believe that the district operating budget should reflect expected salary savings. Little control of actual personnel expenditures is provided by the current budgeting process because actual personnel costs

are allowed to reach budgeted levels. Essentially, each department is permitted to spend additional monies set aside in the original budget for personnel because payroll savings can be reapplied to other operating purposes. For greater accountability in labor expenditures, we recommend that a salary savings line at a minimum rate of 3 percent be introduced into the district budget for salaries and benefits. Application of this rate to the district's budget of approximately \$47.4 million for salaries and benefits ^{/1} will result in estimated savings of \$1.4 million. We have reduced department salaries and benefits by this amount in our budget tables (see page 5). However, we recommend that the district impose a separate line item for estimated salary savings beginning with the proposed budget for 1976-77. In addition, the district should subsequently make an adjustment at the conclusion of the fiscal year which reflects the actual salary savings sum. The adjustment should then be included as an offset in the subsequent fiscal year budget.

^{/1} Includes reductions for capitalized labor expenses, temporary help, and incorporation of our personnel recommendations.

MANAGEMENT PROCEDURES, SYSTEMS, AND CONTROLS REQUIRED

In our continuing review of the district's operating budget, major problems with the district's budgeting procedures and systems have become apparent.

The district does not yet have a consistent, logical, and smoothly-operating budget process. Translation of district objectives into well-planned programs, and the effective monitoring and control of those programs is not possible at present. This is partly a result of the transitional status of the district from construction to operations. It also results from inadequate budgeting procedures and systems, as identified in the report by Cresap, McCormick and Paget, Inc.^{/1}

The district lacks effective mechanisms for control of its programs and expenditures. Notably, the management information system (MIS) and "flexible budgeting" as utilized by the district decrease both the ability and the incentive for management to exercise effective control.

The Management Information System

The district's MIS is comprised of several elements, primarily the automated operational accounting system (OPAC), the payroll and personnel system, and the inventory control system. Although all of

^{/1} Cresap, McCormick and Paget, Inc. pp. III-1 to 21.

these elements require improvement, we shall focus here on the operational accounting system.

Currently, the accounting system does not produce the type of information required by managers to measure and control their areas of responsibility effectively.^{/1} The budget reflects a cost center basis, and information about programs is not readily available. A number of major inadequacies limit the system's ability to show cash flow requirements. Available information is usually one to two months in arrears of actual expenditures. Further, there is no current record of encumbrances (monies committed but not yet paid). This has forced department managers to use time-consuming and cumbersome manual accounting systems in an attempt to control expenditures.

The accounting system also suffers from a general lack of detail. There is inadequate funding source and program information. For example, separation of capital and noncapital expenditures is difficult. There is also inadequate information on line items within expenditure categories.^{/2}

Another major drawback is that the system lacks desirable sampling and summary capabilities. Further, the system is relatively inflexible because it is programmed in a nonstandard and little-used computer language called Base-5.

^{/1} Cresap, McCormick and Paget, Inc. p. III-14.

^{/2} Line items in the budget submitted to the board are often not separately listed in the MIS system.

Consequently, we recommend that the district give high priority to evaluating its management information system needs. This review of the MIS should emphasize information requirements of the individual departments, and effective management control. It should also recognize external reporting requirements and the federal FARE accounting system requirements.^{/1}

Flexible Budgeting

The district has also implemented flexible budgeting in the past year. While some flexible budgeting procedures were recommended by Cresap, McCormick, and Paget, Inc.,^{/2} in our judgment the district has not followed the intent of the consultant's recommendations because the budget system as adopted reduces district control over department expenditures.

The flexible budgeting system implemented by the district makes it virtually impossible to identify budget responsibility. It is our understanding that certain categories of savings in a department's budgeted expenses can be transferred to other departments which have overspent in these categories, with approval by the district's budget review committee. The budgeting system thus not only reduces the incentive of individual departments to control expenditures, but also lessens the ability of the district's board and the public to follow budget changes within BART, thereby decreasing the district's public accountability.

^{/1} Federal requirements for transit district accounting procedures and formats, currently scheduled to take effect in 1978.

^{/2} III-4 and III-8 through 9.

Therefore, we recommend that the district revise its flexible budgeting procedures to provide greater accountability and to promote management responsibility and control. This may entail greatly reducing the flexibility inherent in the current budgeting process as a necessary step toward achieving fiscal control.

INCOME ADJUSTMENTS TO THE 1976-77 BUDGET

Several adjustments to the district's tentative operating income budget have been made. These are reflected in our projected income statement in Table I, and are shown individually in Table II.

The first category of adjustments is operating revenues, which includes fare and advertising revenues. Consistent with our recommendation to delete the added costs of weekend and regular direct Richmond-Daly City service, we have subtracted the projected operating revenues of \$3.33 million from the proposed budget. Similarly, because of our recommendation that express bus service be deleted for the second half of the fiscal year, we have subtracted related revenues totaling \$302,000, of which \$180,000 is direct bus fare revenues and \$122,000 is related BART fare income.^{/1} Our deletion of \$750,000 in expenditures for the marketing program requires an equal reduction in income, based on the district's assumption that marketing program expenditures can achieve matching revenues. These reductions leave net operating revenues of \$24.97 million.

^{/1} Based on the assumption that one-half of the current bus riders use BART, and of these 50 percent would be lost to the district if the program were terminated, for a net patronage loss of 25 percent of current bus riders. Based on current station usage by bus riders, we have assumed an average BART fare for these riders of 98 cents.

The next set of adjustments fall within the category of other fund sources. We anticipate a sales tax growth rate of 8.5 percent rather than the 6.7 percent rate projected by the district. This results in increased operating revenues of \$1.13 million over the level projected by the district.^{/1} This growth rate of 8.5 percent is still a conservative figure, compared to the State Board of Equalization projection of a 10 percent growth rate.

Another adjustment to the category of other fund sources is the deletion of the capital fund payback of \$1.95 million from the projected budget. As noted earlier, the district should not be forced to borrow this revenue from the capital account in 1975-76. Consequently, no payback will be required in the budget year, 1976-77, so we have accordingly deleted this payback from the district's projected budget.

The final item of adjustment to district income is the sales tax bond savings of \$2.44 million. The original application of sales tax revenues received by BART was for payback of the \$150 million bond issue authorized by the Legislature in 1969 to complete the system. In estimating revenues from the sales tax needed to pay off the bonds, a total of \$177,443,050 was budgeted. However, interest earnings on funds held in trust to guarantee the bonds were not included in the estimate. These earnings reduced to \$175,003,438, the amount of

^{/1} Total expected receipts to the district should total \$45.73 million in 1976-77 at a growth rate of 8.5 percent, of which \$16.30 million is committed to the payback of previously issued revenue bonds.

needed sales tax revenues. This is \$2,439,612 less than the earlier estimate. These additional revenues were realized in fiscal 1975-76 with the last payment on the bonds, and will be available to the district in 1976-77.^{/1}

EXPENSE ADJUSTMENTS

We recommend that the tentative budget be reduced by \$9,735,084 to reflect elimination of funds for service extensions, decreased funding of the improvement allowance, and other recommendations related to individual cost center budgets.

Service Extensions

The proposed budget includes expenditures for the introduction of continuous direct Richmond-Daly City service and weekend service. In our judgment expenditures for these proposed extensions should be deleted.

As we have indicated, these service extensions would reduce BART's ability to deal with the many pressing problems still facing the district, and lengthen the time and expenditures required for the district to achieve stable and efficient operational status. Furthermore, there are compelling technical arguments for deferring budgeting for service extensions. As we have discussed earlier, implementation of direct Richmond-Daly City service will not, in our judgment, be possible in 1976-77.

^{/1} See the letter from William Goelz to the State Board of Equalization in the Appendix.

Consequently, we recommend that both Richmond-Daly City and weekend service extensions be removed from the proposed budget. This would reduce labor expenditures by \$3,843,000 and nonlabor expenditures by \$804,000 for a total expenditure reduction of \$4,647,000.

Cost Center Adjustments

In addition to the recommended deletion of expenditures related to service extensions, we have made numerous recommendations concerning budgets for individual cost centers. The total amount of recommendations to the various cost center budgets is approximately \$4.6 million. The following section of the report discusses these recommendations in detail and includes brief descriptions of department activities together with several recommendations pertaining to district policies.

Improvement Allowance

The tentative budget allocates \$2 million for improvements to the system which cannot be charged to specific capital grants. The budgeted improvement allowance is \$500,000 greater than current year funding.

The district proposes to expend this allowance on projects which are not as yet defined. Considering the district's financial condition, we believe that the improvement allowance should be continued at the current level. Discussions with staff of the

Metropolitan Transportation Commission (MTC) indicate an agreement that a reduction in BART's improvement allowance is necessary as a cost-saving measure. We therefore recommend that funding for this allowance be reduced by \$500,000.

BUDGET SUMMARY

Table I presents the district tentative budget for 1976-77 in comparison with a proposed budget adjusted for the various reductions recommended by our office. While the district budget reflects an unfunded deficit of approximately \$14.17 million, we believe that the budget can be reduced to a level where the maximum operating deficit is \$1.51 million if the measures and recommendations outlined in this report are accepted. A summary of our recommended changes is shown in Table II.

We believe that the board and district management can reduce the \$1.51 million deficit further, to produce a balanced budget for 1976-77. Our income adjustments to the 1976-77 budget do not include the potential carryover of an estimated \$100,000 surplus in the current year budget. Also potential salary savings in excess of the 3 percent rate on personnel costs we utilized could result from deferred hiring or through an inability to fill vacancies at the projected rate. Greater efficiencies will also probably result from restructuring of clerical and secretarial positions, a topic currently under study by an outside consulting firm. Finally, the imposition of a 25 cent charge at all district station parking lots will generate a minimum

of \$1 million annually. The board in a previous action (i.e., Resolution Number 239, adopted August 14, 1975) has called for the imposition of parking charges "if sufficient alternative funding sources cannot be developed by July 1, 1976." The application of these economies and revenue sources can more than offset the projected unfunded operating deficit.

COST CENTER ANALYSIS AND RECOMMENDATIONS

GENERAL MANAGER (Cost Center 300)

We recommend that proposed operating expenses be reduced in the amount of \$47,890.

The proposed budget for the General Manager is \$479,228, which is a 22.8 percent increase above estimated current year expenditures of \$390,318. The growth in costs are due to increases in salaries and benefits, as well as some increases in temporary help and travel expenses. In addition, the budget proposes to fill all authorized positions during the budget year. The current year budget reflects the partial filling of some positions.

The General Manager proposes to maintain a special assistant at the staff assistant VI level. This position is currently utilized for various recruitment purposes. We question the need for this position when recruitment efforts stabilize midway through the budget year and recommend that this position be eliminated at that time for a savings of \$17,383.

We also recommend that the budget for temporary help be reduced by \$2,716. The addition of a clerk I position in special services will alleviate some of the need for temporary help. Therefore, reduction in the proposed amount will maintain this expense at the current year level of \$1,064.

Professional and technical services expenses are budgeted at \$50,000, which is \$1,139 less than estimated current year expenses.

This includes \$25,000 for legislative representation, \$5,000 for funding of the BART Art Council, and \$20,000 for contingency needs.

As noted in our analysis of the district's 1975-76 budget (page 9), it is our belief that the Art Council does not represent an essential expenditure, particularly because all BART stations have been completed with the opening of Embarcadero. We recommend that funds for the council be deleted. We also recommend that the contingency of \$20,000 be eliminated as an unnecessary expense.

Further, we recommend that the inflation factor for miscellaneous expenses be deleted, because these expenses include primarily dues and membership fees which are not expected to increase during the budget year.

Our recommendations for changes in the General Manager's budget are summarized below:

<u>Recommended Reductions</u>	<u>Positions</u>	<u>Budget Change</u>
Staff assistant VI	(-0.5)	\$-17,383
Temporary help		- 2,716
Contingency		-20,000
Arts Council		- 5,000
Inflation factor		- 1,675
Miscellaneous expenses - inflation factor		<u>- 1,116</u>
Total recommended reduction	(-0.5)	\$-47,890

FINANCE

This department includes the divisions of treasury, controller-ship, insurance, and real estate. The budget proposes expenditures of

\$4,887,618, or 20.7 percent above the estimated current year level of \$4,050,899.

Controllership (Cost Center 315)

We recommend that proposed operating expenditures be reduced by \$32,158.

This division proposes the addition of three clerk III positions to its staff to alleviate expected increases in workload. Two of these positions are requested for Accounts Payable in anticipation of increased computer input demands and workload relative to uniform accounting requirements of the UMTA Project FARE system.

We recommend that these two requested positions not be provided at this time. Our discussions with UMTA personnel indicate that the primary emphasis of Project FARE during 1976-77 will be centered on development and testing of management information systems. The district is requesting a staff assistant V position in the Systems and Data Processing Division of the Planning, Budget, and Research Department for development of this system and will conceivably be designing the system to incorporate UMTA requirements. The need for additional clerical positions for data input can be deferred until introduction of the uniform accounting system in 1977-78, thereby providing salary and benefit savings of \$30,291 in the proposed budget.

We also recommend that travel expenses for the division be reduced. Although these expenses are budgeted at \$2,750, the same level as in the current year budget, actual expenditures in the current

year are not expected to exceed \$1,000. A reduction of travel expenses of \$1,750, plus a pro rata inflation reduction of \$117, is recommended.

Total recommended reductions for this division are \$32,158.

Insurance (Cost Center 316)

We recommend that proposed operating expenses be reduced in the amount of \$324,368.

This division is reducing its staffing from six to four positions in accordance with recommendations made by an independent consultant. However, major increases in direct expenses, primarily in premium charges and damage losses to the district, are anticipated in the division's budget, causing nonlabor expenses to be estimated at \$1,913,302, an increase of 33.1 percent over the current year budget.

The budget proposes an expenditure of \$25,000 for the retention of F.S. James and Company as insurance consultants. In our analysis of the 1975-76 district budget (page 14), we noted the district's position that the retainer agreement is necessary to obtain insurance under difficult circumstances. We continue to believe that payment by the district to an outside consultant on a continuous basis is unwarranted because division staff is capable of performing this activity. We therefore recommend elimination of this consultant fee.

Premium Charges and Physical Damage Expense

Of the proposed nonlabor expense budget for this division, \$1,736,825, or 90.8 percent, is directly attributable to premiums for various forms of district insurance and uninsured damage and settlement expenses. For operating liability coverage, premium charges are expected to increase to \$500,000 from \$285,000 estimated for the current year. This budgeted amount is based on approximately \$50 million coverage, the same level of insurance as presently available. However, division staff indicates that the extent of liability coverage during 1976-77 will probably not exceed \$30 million, due to a restrictive insurance market. The district is currently negotiating for the first \$20 million of this coverage, which is estimated to cost \$225,000 in premiums. We do not anticipate that the additional \$10 million in insurance will exceed \$125,000 in premiums. Thus, anticipated premiums for liability insurance will approximate \$350,000 in 1976-77, and we recommend a reduction of \$150,000 to reflect these lower charges. According to the most recent data available, funds budgeted in the current year for premiums are in excess of actual requirements.

For owners and contractors protective liability, the budget indicates premium charges of \$25,000. Department staff has stated that the contract for this coverage expires July 1, 1976 and will not be renewed. We therefore recommend elimination of this expense from the budget.

We also recommend that the allowance for district physical damage losses be reduced \$100,000. The \$500,000 budgeted for this expense is approximately the same level as in the current year budget. Including unpaid billings, the actual damage expenses for the current year should not exceed \$375,000. The proposed budget should reflect a more realistic assessment of physical damage losses and be reduced accordingly. Any needs above the amount budgeted can be offset by application of the contingency fund.

Travel Expense

The budget proposes an expenditure of \$5,250 for travel expenses. Included in this amount is travel within and outside the district including a trip to London. It is our belief that the district's insurance program does not require attendance at a large number of conferences. We therefore recommend a reduction of \$4,000.

Total recommended reduction for the division in the amount of \$324,368, with application of inflation factors, are outlined below:

<u>Recommended Reductions</u>	<u>Budget Change</u>
Premium Charges and Physical Damage Expense	
Operating Liability	\$-150,000
Owners Protective Liability	- 25,000
Physical Damage Expense	-100,000
Inflation factor	- 18,425
Other Items	
F.S. James and Company	- 25,000
Travel	- 4,000
Inflation factor	- 1,943
Total recommended reduction	\$-324,368

Treasury (Cost Center 321)

We recommend a reduction of \$34,294 for the deletion of two requested clerk III positions.

The Treasury Division budget proposes the addition of eight clerk III positions to meet demands from new fare collection equipment and anticipated patronage increases. Of these additional positions, five are related to extended service. However, the district's estimate of increased staffing related to service extensions accounts for only four positions. We recommend deletion of one clerk III position in Tickets/Refunds/Trips Passes to rectify this discrepancy.

We do not believe that an additional clerk in Sorting/Counting is justified. Without service extensions, patronage increases in the 1976-77 year will not generate a related workload which cannot be absorbed within existing staff. We therefore recommend deletion of this requested position.

Total salary savings from recommended reductions in proposed staffing for the division are \$34,294.

Real Estate (Cost Center 361)

We recommend a reduction in proposed operating expenditures of \$19,633.

The budget for this division reflects the elimination of one staff assistant II position. Recently, division staff indicated that a secretary I position has been vacated and will not be filled during the budget year. This vacancy is not shown in the budget and we therefore recommend a reduction of \$13,444 in salary savings.

Under professional and technical services, the budget proposes expenditures of \$10,800 for nonprofessional services. Current year experience shows that actual expenditures are estimated at \$5,000, although \$10,584 has been budgeted for these services. We believe that the need for nonprofessional services will not increase in the next fiscal year and recommend a reduction of \$5,800, plus an inflation factor of \$389.

Total recommended reductions for this division are thus \$19,633.

PLANNING, BUDGETING, AND RESEARCH (Cost Centers 312, 341, and 342)

We recommend reductions in the proposed operating budget in the amount of \$12,403. We also recommend that the express bus service program be eliminated at the end of the current contract period for a reduction in direct program costs of \$1,280,934, resulting in total recommended reductions to the department's budget of \$1,293,337.

The Planning, Budgeting, and Research Department has been reorganized to reflect the transfer of marketing activities to the Marketing and Communications Department. The three divisions in the department are the offices of planning, budgeting and research, and systems and data processing.

The department budget as proposed is \$3,967,212, which is 18.1 percent above the current year level of \$3,358,816. Increased salaries and benefits and additional program costs for extended express bus service are the primary sources of increased department expenditures.

In the planning division, we recommend that \$5,000 for MTC contingency studies be deleted. The district is expected to receive a \$100,000 grant from MTC for various studies performed by the planning staff. Details for allocation of grant monies have not been determined as yet and we believe that incorporation of funding for contingency studies should be included in the grant detail. We therefore believe the proposed additional \$5,000 contingency funding is unnecessary.

We also recommend that the amounts in the department for temporary help and travel expenses be reduced by \$2,800 and \$4,000 respectively. Actual expenditures for these items are significantly below budgeted levels for the current year, and the recommended reductions will decrease expenses to levels that are comparable to actual experience.

Express Bus Program

Under an agreement with AC Transit, BART operates an express bus program for the purpose of transporting passengers from the outlying regions of the district to BART stations. The program operates on five routes during the hours of regular BART train service and is currently budgeted at \$2,401,000. Our analysis indicates that this program should be discontinued at the end of December 1976, the earliest date allowed for termination under the present contract with AC Transit.

Express bus ridership has doubled in the 18-month period of the program's operation to approximately 81,000 passengers a month,^{/1}

^{/1} Estimated to grow to approximately 83,000 in the second half of 1976-77.

although figures fluctuate significantly from one month to the next. Stimulus for this growth has been provided by the addition of new deluxe buses under a federal grant, the extension of evening service and adjustments to routes and schedules, and the increased familiarity with the service among potential riders. We believe that the rate of growth will slow, however, after the initial effects of such stimuli have subsided.

While bus patronage has increased since inauguration of the service, it has not noticeably increased overall BART patronage or revenue figures. BART estimates that only one half of the bus riders eventually transfer to BART trains. This would indicate that the bus service contributes only about 1,850 passengers a day to BART's overall daily ridership of 125,000, or about 1.5 percent of the total. Because of low ridership, bus farebox revenue contributes only about 12.5 percent of express bus operating costs and only \$300,000 of BART's total current farebox revenue of \$22.2 million. The bus farebox contribution of 12.5 percent is well below the 40 percent figure we have previously recommended as a target for public transit operations and only a third of the farebox contribution of BART train operations. This results in a net subsidy per bus passenger of approximately \$2.39 as illustrated below.

BART Express Bus Program
Estimated 1975-76 Operating Characteristics

Total program cost	\$2,401,000
Program revenue	300,000
Net program deficit	<u>\$2,101,000</u>
Patronage	880,000
Cost per passenger	\$2.73
Revenue per passenger	.34
Net cost per passenger	<u>\$2.39</u>
Revenue as percentage of operating cost	12.5%

If it is true that only about one-half of the bus passengers transfer to BART trains, the bus service is more of a local service to suburban communities than a true express service. Continued funding and subsidization of the bus program will have the effect of subsidizing local rather than regional travel. We note that a number of communities in the area have already contracted with AC Transit or are negotiating for local bus service while Fremont and Newark have voted to become a special AC Transit service district.

Additional problems with the express bus service include the fact that many of the buses run almost empty and experience considerable "deadhead" time in traveling between storage locations and end-of-line stops at the beginning and end of each day. These and the other problems discussed indicate that continued operation of the express bus service will only exacerbate BART's funding problems while providing, in effect, a substantial subsidy to those passengers using the bus program.

We believe that express bus service should be eliminated with minor effect on overall BART patronage and revenue figures. This conclusion is based on the estimate that only about one-half of the bus passengers also ride BART trains and our assumption that about half of these bus-related train riders would continue to ride the trains after making other arrangements to get to BART stations. Our estimates of reduced patronage and associated revenue from elimination of express bus service are shown in Tables 3 and 4.

Table 3

Train Revenue Loss
From Discontinued Bus Service

Estimated express bus patronage	83,000/month <u>x6 months</u>
Estimated half-year bus patronage	498,000

Assumptions:

1. BART assumes half of bus passengers transfer to trains.
2. Analyst assumes only half of this half (one-quarter) would stop using trains altogether.
3. Assume an average BART train fare of 98 cents from stations served by express buses.

Estimated train revenue loss $(.25) (498,000) (\$0.98) = \$122,010$

Table 4

Bus and Total Revenue Loss

Estimated monthly bus revenue loss	\$30,000/month <u>x6 months</u>
Total estimated bus revenue loss	\$180,000
Train revenue loss	\$122,010
<u>Bus revenue loss</u>	<u>180,000</u>
Total estimated revenue loss from elimination of express bus program	\$302,010

Elimination of express bus service in addition to other adjustments in planning, budgeting and research operations would result in the following reductions:

<u>Recommended Reductions</u>	<u>Budget Change</u>
Salaries and Benefits	
Temporary help	\$- 2,800
Direct Expenses	
Contingency studies	- 5,000
Travel expenses	- 4,000
Inflation factor	- 603
Express bus services	-1,200,500
Inflation factor	- 80,434
Total recommended reduction	\$-1,293,337

MARKETING AND COMMUNICATIONS (Cost Centers 302, 306, and 343)

We recommend deletion of two proposed staff assistant positions and reductions in proposed program expenditures in the amount of \$841,430.

The Marketing and Communications Department proposes expenditures of \$2,083,835, which is an increase of 152 percent over the estimated current year level of \$827,926. New marketing programs and expansion of current activities account for most of this increase.

Personnel expenditures in the budget are estimated at \$774,407, versus the current year level of \$570,175. One of the proposed staff additions is a clerical position to meet projected workload and the

other addition is a secretary III position for the department director. We recommend approval of these positions. However, the department has also undergone substantial reorganization, and various transfers and reclassifications within department divisions are reflected in the budget. Consistent with our recommendations regarding new and expanded programs which follow, we recommend the deletion of two staff assistant II positions. One of these positions, included for special sales in the Advertising and Promotion Division of the department, is required for workload related to new marketing activities. The major reductions which we are recommending for new marketing programs would eliminate the need for this position. The second staff assistant is requested for increased activity in the refund program. This program is recommended for elimination in our discussion of non-labor expenses and the position is therefore not needed. These reductions result in salary savings totalling \$42,830.

New and Expanded Programs

Within the department's nonlabor budget of \$1,305,700, approximately \$1 million, or 77 percent, is dedicated to new programs for commuter communications, a booster club, and employer/employee and suburban programs.

Since our first review of the district's financial condition^{/1}, we have expressed the view that the district must assign first priority

^{/1} Office of Legislative Analyst, BART - Status of Implementation of Safety Recommendations and Review of Financial Status, October 23, 1973.

to improving the reliability of system operations. The inability to achieve expected patronage levels has been primarily related to the lack of operational reliability. When revenue service began, expectations of the system's capability were grossly oversold. In our view, to expect that an aggressive marketing program will markedly improve revenue generation, considering continual reliability problems, is unrealistic in the short run. We believe that efforts to improve reliability can result in patronage increases. Unless the reliability of the system is improved, a greatly augmented advertising and promotion program will only serve to raise false expectation on the part of the public. We therefore recommend a reduction in nonlabor expenses for new programs in the amount of \$750,000.

In addition, we recommend that the proposed "special refund program" be eliminated. This activity is budgeted for \$48,600. No funding for it is reflected in the current budget. Currently, refunds are processed through the Finance Department and are sent to patrons with an accompanying form letter. The Marketing Department plans to "personalize" these refund requests and possibly provide a low-value ticket or other certificate of value in addition to the normal refund. We believe that the general public would be better served by district attempts to conserve operating revenues by providing refunds only when appropriate.

Total recommended reductions in the department's budget are as follows:

<u>Recommended Reductions</u>	<u>Positions</u>	<u>Budget Change</u>
Salaries and Benefits		
Staff assistant II	(-2)	\$- 42,830
Direct Expenses (inflation factor included)		
New programs		-750,000
Refund program		- 48,600
Total recommended reduction	(-2)	\$-841,430

EMPLOYEE RELATIONS (Cost Center 334)

We recommend the elimination of the proposed employee relations manager and specified reductions in operating expenses for savings in the amount of \$49,453.

The Employee Relations Department is responsible for management/ labor activities such as grievance handling, maintenance of personnel files, negotiation and administration of bargaining unit agreements, and other employment activities. The proposed budget of \$705,550 is 6 percent lower than the estimated current year level of \$750,509. However, personnel costs associated with training activities, which have been transferred to the Personnel and Community Development Department, account for a major portion of department labor costs in the current year. These costs will not be incurred by the department in 1976-77.

The department proposes the addition of a second employee relations manager (level III) for possible increased needs in 13(c)

agreement negotiations, new contract negotiations, and contract interpretation and administration. The department organization chart indicates that this additional management position would oversee the Labor and Employment Divisions of the department. These divisions are primarily involved in personnel record maintenance, monitoring of district staffing levels, and grievance handling. The existing employee relations manager oversees the Contract Administration and Wage/Salary Divisions, which are the areas involved in the negotiation needs of the department. We therefore believe that an additional management position is not justified for these activities and recommend elimination of the additional employee relations manager position for a savings of \$30,448.

We recommend that temporary help expenses be reduced by \$3,000. Current year temporary help costs are expected to be no greater than \$3,500. Temporary help is budgeted at \$7,468 for 1976-77, and we believe that this amount is excessive in light of current experience.

In department nonlabor expenditures, we recommend that medical examination fees be reduced. The \$20,000 budgeted for fees are for health examinations of new employees. The department indicates that approximately one-half of these fees would be needed for personnel increases related to proposed service extensions. In line with our recommendations regarding service increments, we believe that the amount budgeted for medical examinations should be reduced by \$10,000.

Additionally, it is our recommendation that travel expenses for contractual seminars be reduced. Six seminars between management

and members of the bargaining unit are required annually by present contract and are expensed at \$2,500 per seminar, or a total of \$15,000. The department wishes to reduce the number of seminars required by contract to four annual meetings. We believe the department's budget should reflect this decrease in seminars and therefore recommend a reduction of \$5,000 in travel expenses.

Total recommended reductions for the department are as follows:

<u>Recommended Reductions</u>	<u>Positions</u>	<u>Budget Change</u>
Salaries and Benefits		
Level III	(-1)	\$-30,448
Temporary help		- 3,000
Direct Expenses		
Medical examinations		-10,000
Travel expenses		- 5,000
Inflation factor	_____	- 1,005
Total recommended reduction	(-1)	\$-49,453

PERSONNEL AND COMMUNITY DEVELOPMENT (Cost Center 303)

We recommend a reduction of three positions and specified operating expenses in the proposed budget for a savings of \$398,176. We also recommend that the board review plans for centralization of training activities to determine if expected efficiencies and consolidation of such activities are realistic.

This department incorporates activities formerly included in the Employee Relations and General Manager departments for training and affirmative action programs. Establishment of the department

resulted from a recent study by an independent consultant. The department budget proposes expenditures of \$920,659, ^{/1} or a 196 percent increase over current year expenditures of \$311,360. The large increase is primarily a result of program transfers to the department, increased staff, and expansion of training and affirmative action functions.

The department is divided into three divisions: Training, Contract Compliance, and Planning/Community Development. Contract Compliance and Planning/Community Development are both oriented to achievement of federal and state affirmative action requirements. Currently, ten positions are authorized for the department, of which five have been recently filled to achieve reorganization of training and affirmative action personnel. The proposed budget reflects an increase of four positions for a total of 14 personnel. We believe that certain of these staffing increases are not justified. Specifically, the workload of the department does not justify three staff assistant V and three staff assistant IV positions. Therefore, we recommend that one staff assistant V and one staff assistant IV position be eliminated. Further, four clerical or secretarial positions allotted to the department results in a staff-to-clerical ratio of 2.5 to 1. In our judgement, a ratio of this low level is not required for any department except those with heavy clerical needs,

^{/1} Recent information received from the district indicates that the department budget has been reduced to \$841,371.

such as Treasury or Controllershship. We therefore recommend the elimination of one clerk III position, In addition, the labor budget indicates that the secretary III position has apparently been misclassified as a staff assistant II position. We recommend that this position be reclassified accordingly.

Total labor savings based on our recommendations are as follows:

<u>Recommended Reductions</u>	<u>Positions</u>	<u>Budget Change</u>
Salaries and Benefits		
Staff assistant V	(-1)	\$-28,716
Staff assistant IV	(-1)	-27,708
Clerk III	(-1)	-15,981
Reclassification to secretary III	--	- 3,659
Total recommended reduction	(-3)	\$-76,064

Temporary Help

The budget proposes expenditures of \$72,556 for board-approved programs involving students in various education and internship activities. The three programs designated for these activities are the summer youth, cooperative education, and internship programs.

The cooperative education program is planned to give college-level students assistance and insight into transit in general and district operations in particular. The budget for this function is \$24,745. The internship program involves college seniors and graduate students in a summer intern job. Six students are anticipated for this program, which is budgeted at \$27,820. Although these programs may be worthwhile, we believe that the district cannot afford to

expend its limited funds on such activities at this time. We therefore recommend that these two programs be eliminated for a reduction in the temporary help budget of \$52,565.

Training Programs

The department is planning to introduce numerous new programs and to expand current activities in its training division. In reviewing the proposed budget, we note that funds for professional and technical services in the Contract Compliance and Planning/Community Service Divisions are also included under the Training Division budget. We recommend a reduction of \$37,000 to rectify this duplication.

We also recommend several adjustments in the professional and technical budget for training activities as follows:

1. Marketing and Communications programs - duplication of activities reflected elsewhere in the budget. We recommend elimination of this item for a savings of \$18,050.
2. Employee Relations study on employee/contract problems. This program is not justified at this time. We recommend a reduction of \$4,000.
3. Maintenance technical services - duplication of activities reflected elsewhere in the budget. We recommend a reduction of \$25,700.
4. Police services specialized courses. This program is not justified. We recommend a reduction of \$1,000.

5. Personnel and Community Development training programs - primarily involves new programs in managerial and supervisory development programs, seminars, and other training programs. In our view, expenditures for these activities are excessive in light of the fragile financial condition of the system. Our recommended reductions are outlined as follows:

<u>Program</u>	<u>Recommended Reductions</u>
a. Management development	\$ 8,000
b. Management seminars	10,000
c. Supervisory development	4,000
d. Clerical programs	4,000
e. Communications improvement	6,000
f. "Training the trainer"	10,400
g. Defensive driving	2,000
h. Contract implementation	<u>5,000</u>
Total recommended reduction	\$49,400

6. Department seminars. Many seminars duplicate other activities or reflect excessive expenditures. Little justification has been provided for these programs. We recommend reductions totalling \$47,700.

Our review of the Training Division budget indicates that there has been little organization in developing programs that reduce the fragmentation of training activities throughout the district. We

find that the training programs proposed in the budget indicate duplicative efforts in several areas. Moreover, there is little evidence that would suggest a structured and orderly approach to consolidation and coordination of training activities. We therefore recommend that the board review the Training Division's programs to determine if the department is in fact achieving the objectives of efficiency and centralization anticipated by its creation.

Material Usage

Within the Training Division, we recommend that materials expense for Marketing and Communications be eliminated in line with our previous recommendation regarding professional and technical services for this department, resulting in a savings of \$8,925. Materials expense for the Personnel and Community Development Department is also excessive and should be reduced by \$10,240. We also recommend that the \$5,000 budgeted for a simulator for the Transportation Department be eliminated as unnecessary.

In both the Contract Compliance and Planning/Community Development Divisions, materials expenses are budgeted in the amount of \$36,074 for the production of various affirmative action reports and a directory of minority contractors and vendors. A state program (the California Job Creation Program) is already budgeted for the development of this type of directory. Furthermore, the affirmative action reports are planned to be distributed to the district employees

and others. We believe that such reports will be of little use to the vast majority of district employees and can instead be made available upon request. We therefore recommend that the materials usage budget in these two divisions be reduced by \$27,000.

Travel Expenses

Total travel expenses for all divisions within this cost center are budgeted at \$25,736. Travel by department personnel should be primarily within the district because involvement with the community is a major emphasis of the department's program. Attendance at various conferences and seminars outside the district should be minimized. We recommend a reduction in department travel expenditures of \$17,000.

Total recommended reductions for the department are as follows:

<u>Recommended Reductions</u>	<u>Positions</u>	<u>Budget Change</u>
Salaries and Benefits	(-3)	\$- 76,064
Temporary help		- 52,565
Training programs		-182,850
Inflation factor		- 12,251
Material usage		- 51,165
Inflation factor		- 5,142
Travel expenses		- 17,000
Inflation factor		- 1,139
Total recommended reduction	(-3)	\$-398,176

SPECIAL SERVICES - COMMON EXPENSE (Cost Center 331)

We recommend that proposed nonlabor expenses be reduced in the amount of \$181,850.

Common expenses include district administrative costs which cannot be readily apportioned to particular divisions of the BART organization. The nonlabor share of these expenses is budgeted to increase from \$912,484 to \$1,044,814, or 14.5 percent.

Based on the district's experience in the current year, we believe that actual expenditures will be significantly less than the amount budgeted. Building space rentals, for example, are running as much as 38 percent below budgeted figures. We believe the proposed budget should build from actual experience and not from inflated projections for the current year. Using experience as a base, we recommend that support for building space rentals be reduced by \$72,184.

Telephones and other communication charges are also running less than budgeted for the current year. Recommending that actual experience again be the guide, we propose a reduction in telephone expenses of \$43,707. Similarly, expenditures for forms and supplies and freight charges have thus far amounted to only about 60 percent of the figure budgeted. We recommend that the proposed budget for these items be reduced by \$52,880 and \$1,660 respectively.

Recommended reductions in nonlabor common expenses are summarized as follows:

<u>Recommended Reductions</u>	<u>Budget Change</u>
Building space rentals	\$- 72,184
Telephones - other communications	- 43,707
Forms and supplies	- 52,880
Freight and shipping charges	- 1,660
Inflation factor	<u>- 11,419</u>
Total recommended reduction	\$-181,850

DESIGN AND CONSTRUCTION

This department is responsible for the design and construction of the district's physical facilities (exclusive of rolling stock, train control and excepted specialty items). The department also includes documentation services for the district.

The department shows an increase of 11 positions, 10 engineers for capital projects and a clerk. Nine of the 11 positions represent personnel which, according to past practices, would have been seconded personnel from PBTB. Because of litigation, however, BART has decided to employ district engineers, and reduce the seconded personnel in this department to 27.

Design and Contract Development (Cost Center 351)

We recommend a reduction of \$2,667 in travel costs in the proposed budget.

Travel expenditures in the current year are being expended at an annual rate of approximately \$1,550 as of April 30, 1976. The budget request is for \$5,000 plus an inflation allowance of \$335 for a total of \$5,335. In our judgment, this request should be reduced 50 percent, for a savings of \$2,667.

Recommended Reductions

Budget Change

Travel

\$-2,667

ENGINEERING AND VEHICLE MAINTENANCE

This department is responsible for both engineering and maintenance efforts related to the district's operational systems and associated maintenance equipment. This includes revenue vehicles, maintenance vehicles and equipment, computer systems, and the flow of materials and equipment for the district.

There are three major areas within the department: (1) support, (2) engineering, and (3) rolling stock. These areas consist of sections identified by cost center as follows:

1. Support

- a. Administration, 630
- b. Stores (and inventory control), 635
- c. Secondary Maintenance (component) repair, 636, 637, and 638
- d. Oakland Maintenance Shop (nonrevenue vehicles such as trucks and autos), 639

2. Engineering

- a. Vehicle Engineering (revenue vehicles and subsystems), 631
- b. Equipment Engineering (wayside systems and equipment), 632
- c. Computer Systems (train control and other district systems), 633
- d. Reliability Engineering (reliability programs and analysis of relevant data), 634

3. Rolling Stock

Administration, Concord, Richmond, and Hayward shops, respectively, cost centers 640, 641, 650 and 655, and Hayward Main Repair, 659.

Our budget recommendations for the Engineering and Vehicle Maintenance Department follow, by cost center.

Administration (Cost Center 630)

We recommend a reduction in specified nonlabor costs of \$59,240.

The administrative cost center results from a district reorganization. It includes the maintenance training function (which may be consolidated with district training operations later in the year) and general support items for the Engineering and Vehicle Maintenance Department.

This cost center shows personnel changes due to transfers, but no net addition of new personnel in the overall budget. Therefore, no personnel changes are recommended.

Several items among nonlabor costs can be reduced. Because of the district's financial condition, elimination of the \$50,000 for consultant studies of alternative sources of parts is recommended. Part of this function is already carried out by Vehicle Engineering. Although "second-sourcing" as an alternative source of parts may be an important consideration, a separate study in this area cannot be justified at this time.

We also recommend a \$2,500 decrease in equipment rental for the Trouble-Reporting Information System (TRIS), leaving a net increase of \$2,500 for a total of \$17,500. A reduction of \$1,000 is possible in materials for chalk boards, scheduling aids, and cards (reduce to \$500, which is \$239 above the current projected annual level of \$261). We also recommend a reduction in professional dues payments of \$2,020 to equal the current year level (anticipated expenditures of \$160 based on \$119 spent as of April 30). The corresponding reduction in the inflation allowance for these items is \$3,720 for a net nonlabor reduction of \$59,240.

<u>Recommended Reductions</u>	<u>Budget Change</u>
Second Source Studies	\$-50,000
Equipment rental, TRIS	- 2,500
Chalk boards, etc.	- 1,000
Dues payments	- 2,020
Inflation allowance	<u>- 3,720</u>
Total recommended reduction	\$-59,240

Stores (Cost Center 635)

We recommend a reduction of six positions and specified nonlabor costs in the proposed budget for a savings of \$132,473.

The Stores Division manages the receipt, storage, issuance, and control of district materials and supplies. This division is critical to the maintenance and repair of all district vehicles and equipment, and to the modifications planned for the revenue vehicles.

The recommended budget contains the addition of two staff assistants. The staff assistant II for material control performs a critical function and is clearly needed. The workload for the staff assistant I for inventory control can be carried in the short-term by the existing two staff assistants in this section, and we recommend deletion of this position. In the long-term, improvements to the computerized inventory system can be combined with increased responsibilities at each shop to minimize the need for this position. We also recommend deletion of five maintenance worker I's which have been requested for greater shift coverage. The three remaining new maintenance workers permit extended storeroom shift

coverage appropriate for fleet modification, though stores will still fall short of 7-day - 24-hour coverage for the five main stores areas. On the uncovered shifts, shop foremen should assume the responsibility of maintaining the security of the stores and certifying materials usage.

Nonlabor expenses can be reduced \$520 for decreased uniform rental, \$9,500 for decreased freight charges (to \$2,500 from a budgeted \$12,000 - the actual expenditure in the current year should approximate \$2,100), and \$5,000 for damage to inventory (from \$6,000 to \$1,000 - the actual claimed as of April 30 was only \$327). Inflation allowances can also be reduced \$1,006 on these items.

<u>Recommended Reductions</u>	<u>Positions</u>	<u>Budget Change</u>
Salaries and Benefits		
Staff assistant I	(-1)	\$- 20,802
Maintenance worker I	(-5)	- 95,645
Direct Expenses		
Uniform rentals		- 520
Freight charges		- 9,500
Damage to inventory		- 5,000
Inflation allowance		- 1,006
Total recommended reduction	(-6)	\$-132,473

Secondary Repair (Cost Centers 636, 637, and 638)

We recommend a reduction of two positions in the amount of \$48,191.

Secondary repair handles electrical, electronic, and mechanical components removed from primary vehicle and wayside systems with the exception of the computer systems. There are two repair shops (electrical/mechanical and electronic) in the division, and both have roles in the

vehicle modification program, such as traction motor modifications and Phase VI train control improvements.

In addition to the deletion of five positions requested for expanded service, we recommend deletion of one requested foreworker II. A re-assignment of supervisory duties and production control could permit extended shift coverage without the addition of this position. We also recommend deletion of one maintenance worker I requested for the new CUBIC fare equipment, and the redistribution of work related to this new equipment among currently authorized positions and the other proposed maintenance worker I requested for such work.

<u>Recommended Reductions</u>	<u>Positions</u>	<u>Budget Change</u>
Salaries and Benefits		
Foreworker II	(-1)	\$-28,759
Maintenance worker I	(-1)	<u>-19,432</u>
Total recommended reduction	(-2)	\$-48,191

Oakland Maintenance Shop (Cost Center 639)

We recommend a reduction of one position from the requested budget for a savings of \$27,223.

The Oakland Maintenance Shop is responsible for maintenance and repair of nonrevenue vehicles (the district's autos, trucks, cranes, and locomotives) and other maintenance equipment.

Two maintenance worker III positions have been proposed as additions to the vehicle shop. These positions have been justified on a workload basis. However, we believe that increased efficiency in shop operations can eliminate the need for one position.

<u>Recommended Reduction</u>	<u>Positions</u>	<u>Budget Change</u>
Salaries and Benefits		
Maintenance worker III	(-1)	\$-27,223

Vehicle Engineering (Cost Center 631)

Vehicle Engineering is responsible for managing all engineering tasks and projects related to the transit vehicle and its subsystems. The review of BART by Cresap, McCormick and Paget, Inc. indicated vehicle repair and maintenance to be BART's major operational problem ^{/1} and this situation still persists. This division is responsible for determining the causes of vehicle failures and problems in areas such as propulsion, brakes, doors, wheels, air conditioning and suspension. Considerable progress has been made, but adequate solutions still require considerable engineering. Essentially, the division is redesigning major subsystems of the transit vehicle. The work is critical to improve BART vehicle reliability and maintainability. We fully support the requested budget for the division, and suggest that the district capitalize as much of the work of Vehicle Engineering as is justified.

Equipment Engineering (Cost Center 632)

We recommend a decrease of two engineers for a savings of \$52,788.

The Equipment Engineering Division is responsible for engineering tasks and projects associated with the wayside systems, including train control, communications, traction power, and automatic fare collection (AFC) equipment.

^{/1} Cresap, McCormick and Paget, Inc., p. III-22.

The division has 13.5 capitalized positions in the proposed budget for next year, nine of which are on loan to Systems Engineering for work on the Sequential Occupancy Release (SOR) program in train control. Other personnel have permanently transferred to Systems Engineering. Consequently, additional personnel over the authorized level are proposed for the division to perform work previously done by the individuals now on long-term loan.

Four new engineers have been requested in the train control section. We recommend deletion of one engineer III and one engineer II in this section. Multiplexing, train protection, interlocking, and SOR are all important projects, the district's financial condition necessitates a conservative approach to personnel additions. However, these positions are not critical for improving the reliability of the system. Some of the personnel on loan to Systems Engineering will share responsibility for these tasks, and with our recommended deletion, the overall budget still shows an increase in resources allocated to train control engineering. In our judgment, the district can implement fundamental improvements and perform necessary tasks in the train control area without these two additional personnel.

Nonlabor expenses for this cost center are not available separately for the current year. Consequently, such costs are discussed below together with those for Vehicle Engineering and Computer Systems.

<u>Recommended Reductions</u>	<u>Positions</u>	<u>Budget Change</u>
Salaries and Benefits		
Engineer III	(-1)	\$-27,362
Engineer II	<u>(-1)</u>	<u>-25,426</u>
Total recommended reduction	(-2)	\$-52,788

Computer Systems (Cost Center 633)

We recommend a reduction of one staff assistant V for a savings of \$31,156.

This division is responsible for maintaining the hardware for both the train control system (central and wayside, including SOR) and the district's other computer systems. The division also provides programming services for the nonbusiness systems.

We recommend deletion of the staff assistant V "systemwide co-ordinator" on the grounds that this position is redundant. The responsibilities of this position could largely be filled by a competent manager of the Computer Systems Division, a position which is now vacant. The other additions to this division, consisting of four staff assistants for SOR implementation and improvements to the passenger data acquisition system, and one staff assistant IV for yard train control improvements, are priority items and we support this increase. It should be noted that 3.5 man-years will be capitalized in this division, representing personnel on loan to Systems Engineering. Two positions have been previously deleted from the proposed budget that were attributable to service extensions. It should also be pointed out that major modifications

to the central computer may be needed in future years, so staffing needs in this division cannot be anticipated to decline in the short-term.

<u>Recommended Reductions</u>	<u>Positions</u>	<u>Budget Change</u>
Salaries and Benefits		
Staff assistant V	(-1)	\$-31,156

Nonlabor Expenditures for Vehicle Engineering, Equipment Engineering, and Computer Systems

We recommend a total decrease of \$27,512 in nonlabor expenditures for these three divisions.

Before reorganization (scheduled for July 1, 1976) these three divisions were all part of the Equipment Division (Cost Center 370). Therefore, separate information is not available for current nonlabor expenditures by division.

Total nonlabor expenditures for the three divisions are proposed in the amount of \$324,534. The largest increase is in the area of materials usage, where the uninflated amount in the requested budget totals \$92,013. This is more than \$50,000 above the current year anticipated expenditures of approximately \$41,800. Recognizing that vehicle modification programs and computer system materials requirements may considerably exceed the current expenditure level, we recommend a reduction of \$25,000 and a corresponding reduction in the inflation allowance of \$2,512 in materials usage for these three divisions, for a total reduction of \$27,512.

Engineering can improve the quality of the data which they provide through better management.

In the area of nonlabor expenses, we recommend that the \$90,000 requested for consulting services be reduced to \$25,000. This would eliminate the "Baseline Reliability Study" budgeted at \$45,000. The study as proposed would permit the district to compare its reliability with that of other transit systems. This may be desirable information to have in the long term, but is of a lower priority than the need for technical solutions to pressing failure problems. Also, \$45,000 for support of the Reliability Task Force, should be reduced to \$25,000. While important, this study of reliability failure modes should be of a lower priority than studies of safety failure modes (such as for SOR), and other more critical district problems, and reduction is recommended. We also recommend deletion of the associated inflation allowance of \$6,030.

<u>Recommended Reductions</u>	<u>Positions</u>	<u>Budget Change</u>
Salaries and Benefits		
Staff assistant II	(-1)	\$- 24,699
Clerk II	(-1)	- 13,761
Direct Expenses		
Reliability Baseline Study		- 45,000
Reliability Task Force support		- 20,000
Inflation allowance		- 6,030
Total recommended reduction	(-2)	\$-109,490

Rolling Stock (Cost Center 640, 641, 650, 655, and 659)

We recommend a decrease of one position for a savings of \$22,473.

This division maintains revenue vehicles and related equipment. The division performs daily inspection, preventive maintenance (PM) and routine service, unscheduled vehicle repair, and supports or performs all major modifications associated with revenue vehicles.

The Cresap, McCormick and Paget Inc. (CMP) management audit of BART indicated that gaining control of revenue vehicle maintenance is the most important task facing the district. ^{/1} To resolve this problem, the district has followed plans for improvement suggested by CMP including the development of a comprehensive maintenance plan. This plan is based on industrial engineering studies of shop manpower requirements to perform PM on both a calendar and a vehicle-miles basis, depending upon subsystem. The plan also includes unscheduled maintenance for repair based on historical data, and implementation of vehicle modifications on a priority basis. We support this effort, scheduled for implementation beginning July 1, 1976. We urge the district to emphasize strong shop floor supervision and improved shop productivity and work control, as suggested by CMP. ^{/2} This emphasis is implicit in the new Rolling Stock Maintenance Plan.

One additional general recommendation should be made. As suggested in our report of June 1975, and by CMP, we believe that all district foremen (now foreworkers) should be of nonunion, exempt management status. This should improve management.

^{/1} Cresap, McCormick and Paget Inc., p. III-31.

^{/2} Ibid., pp. III-30 and 31.

Based upon the Maintenance Plan, this division is requesting a level of 331 personnel. Of this total, 24 man-years are associated with transit vehicle modifications and are assumed to be capitalized in the budget. A total of 18 positions are associated with service extensions, and have been deleted in the Summary.

We recommend approval of the remaining requested personnel level for Rolling Stock after deletion of one materials scheduler in maintenance control, for a staffing level of 312 positions. The materials scheduler, a staff assistant II in cost center 640, is one of two positions proposed for this function. In our judgment, one new position together with the three transferred from cost center 630 should be adequate to perform materials scheduling. This reduction would result in a savings of \$22,473.

No reductions are recommended in direct expenses. The total of nonlabor and direct program expenses shows only a 2.1 percent real increase from the current year forecast expenditure level (8.9 percent net growth). This requested budget includes expenditures for major modification and overhaul programs for the vehicles, which are fundamentally important to the overall program designed to improve BART operations and efficiency.

<u>Recommended Reductions</u>	<u>Positions</u>	<u>Budget Change</u>
Salaries and Benefits		
Staff assistant II	(-1)	\$-22,473

POWER AND WAY

This department maintains the district's physical plant, including power and support facilities, track and structures, buildings and grounds, and installed communications and wayside train control equipment. There are seven divisions within the department, identifiable by cost center as follows:

1. Administration, 660
2. Power and Mechanical, 664
3. Communications, 671
4. Train Control, 677
5. Track and Structures, 680
6. Plant Support, 685
7. Utility, 688

In Power and Way, 11 positions and \$38,000 in direct nonlabor expenditures have previously been deleted in the summary for service extensions. It should be noted that this department has shown major savings from budgeted nonlabor costs in the current year, and has generally based future requests for nonlabor costs upon the actual current expenditure rates. The department indicates that 10 personnel will be funded by the capital program. Recommendations for additional budget reductions in labor and some nonlabor costs follow, by cost center.

Administration (Cost Center 660)

We recommend a decrease of \$28,005 in specified labor costs in this division.

This division is responsible for the administration of the Power and Way Department. The division proposes an increase of three positions

over the current authorized level. All three of these positions will be filled by transfers, two from within the department (the engineer V and staff assistant II). The third position, the engineer III responsible for trackways, structures, and buildings, will be transferred from another department. Because this individual will be a transfer and not a new position, his salary is already budgeted elsewhere. Therefore, his salary and benefits are duplicated, and BART expenditures can be reduced \$28,005.

<u>Recommended Reduction</u>	<u>Positions</u>	<u>Budget Change</u>
Salaries and Benefits		
Engineer III (transfer)	(-1)	\$-28,005

Power and Mechanical (Cost Center 664)

We recommend a reduction of two personnel and specified nonlabor costs for a savings of \$72,993.

This division maintains and repairs electrical and mechanical equipment throughout the system, including transformer substations, the 1,000 volt third-rail system, yard and station lighting, other low voltage equipment, and pumps. The division is requesting an increase of 10 positions above the authorized level. This includes two positions above actual (five above authorized) in traction power associated with an upgrading of substation capacity, and an increase of two personnel in auxiliaries associated with Embarcadero station, the Daly City parking facility, and work on the MUNI interface in San Francisco.

We recommend that two additional maintenance worker III's for traction power be deleted from the budget. While this will possibly slow the substation modification program, the work can be accomplished with existing personnel over a slightly longer time span at a net savings to the district.

In the area of Program Direct Material Usage, we recommend a reduction of \$21,277 to be consistent with actual annual projected expenditures (\$205,786). The associated savings in the inflation allowance is an additional \$2,138.

<u>Recommended Reductions</u>	<u>Positions</u>	<u>Budget Change</u>
Salaries and Benefits		
Maintenance worker III	(-2)	\$-49,578
Direct Expenses		
Program Direct Material Usage		-21,277
Inflation allowance		<u>- 2,138</u>
Total recommended reduction	(-2)	\$-72,993

Communications (Cost Center 671)

We recommend a reduction of two positions for a savings of \$50,232.

We recommend that the district consider consolidation of its communication networks.

The communication division is responsible for all the district's communications equipment and facilities, and for the destination and automatic fare collection systems. The division has increased responsibility because of the new Embarcadero station and new CUBIC fare-related equipment being installed at several locations within the system.

Two maintenance worker III positions associated with training programs have been transferred from this division to cost center 630 in Maintenance Engineering. However, these two authorized positions have been retained in this cost center and two additional maintenance worker III's have been requested, for a net increase of four positions. We recommend that two of these four positions be deleted for a savings of \$50,232.

In the area of communications, we recommend that the district give careful consideration to consolidation of the various communications networks now operated by the district. Such consolidation can probably improve operational capabilities and efficiencies.

<u>Recommended Reductions</u>	<u>Positions</u>	<u>Budget Change</u>
Salaries and Benefits Maintenance worker III	(-2)	\$-50,232

Plant Support (Cost Center 685)

We recommend a reduction of one position for a savings of \$24,859.

The Plant Support Division maintains grounds, including parking lots, buildings, and escalators and elevators, and has responsibilities for fire protection. The division is requesting an increase of 11 positions over the authorized level. This includes two positions in grounds with additional duties for manning required emergency vehicles, and nine positions for escalator and elevator repair to replace maintenance contract personnel. Following initial-year training and phase-in costs, these nine positions are projected to save BART considerable funds

beginning in 1977-78. The budget also includes replacement of a maintenance worker III transferred to cost center 630 for training duties.

In our judgment, replacement of the training position represents an augmentation to the budget, and is not justified. We recommend deletion of this position for a savings of \$24,859.

We also recommend that BART attempt to hire individuals already fully qualified for elevator and escalator maintenance in order to minimize the training cost to the district and guarantee more efficiency in maintenance and repair. Additional savings to BART can accrue through this approach.

We recommend approval of the nonlabor budget for this division, including \$40,000 for preventative maintenance cleaning of the escalators, and a transfer of escalator/elevator maintenance contracts to this cost center of \$16,250 and \$477,000.

<u>Recommended Reduction</u>	<u>Positions</u>	<u>Budget Change</u>
Salaries and Benefits		
Maintenance worker III	(-1)	\$-24,859

Utility (Cost Center 688)

We recommend approval of the budget as requested after it has been adjusted to remove the 11 positions and other costs associated with service extensions and increased by \$4,763 to cover certain revised labor costs.

This division is responsible primarily for station maintenance and car cleaning. The 11 new positions which are requested are identified as

associated workload resulting from service extensions. Therefore, these 11 positions are not required based on our earlier recommendation of no extensions of service, and have been deleted in the Budget Summary.

However, two of these additions (both maintenance worker I's) are necessary for manning emergency vehicles. Therefore, we recommend that these two positions be retained, and two currently unfilled utility worker positions be deleted from the budget. This should result in a net budget increase of \$4,763.

<u>Recommended Changes</u>	<u>Positions</u>	<u>Budget Change</u>
Maintenance worker I	(+2)	\$ 41,154 /a
Utility worker	(-2)	<u>-36,391 /a</u>
Total recommended augmentation		\$ 4,763

/a To meet utility vehicle manning requirements.

POLICE SERVICES (Cost Centers 610, 611, and 612)

We recommend a reduction of three positions and specified nonlabor costs in the budget for a savings of \$93,601.

This department provides general police services and protection for BART property, passengers, and personnel through its administrative, field, and technical (support) operations. The proposed budget is \$2,369,481, an increase of \$528,181 or approximately 28.6 percent over the current year. The bulk of this increase is due to the filling of vacancies which have existed in the current year.

The budget proposes the addition of six positions, all of which are related to extended service. However, the district's estimate of

increased staffing for service extensions accounts for only five positions. We recommend the deletion of the additional position, a police services assistant, for a savings of \$16,573. In addition, district figures understate the combined salaries of the five extension-related positions which we earlier recommended be deleted. We recommend deletion of an additional \$29,173 to rectify this discrepancy.

Police operations currently include a lost and found department staffed with one senior police services assistant. We believe this function should be a part of passenger service operations and that the duties do not require a full-time staff member. We recommend that the lost and found service be absorbed by passenger services and that one senior police services assistant position be deleted for a savings of \$20,534. We also recommend that the positions of training officer and traffic officer be combined for a reduction of one officer position and a savings of \$21,186. A full-time training officer is unnecessary because much of the police instruction is provided away from BART in police academies. Similarly, a substantial portion of the traffic officer's time is spent consulting on a BART traffic survey. Such survey duties are more properly those of BART engineering and planning personnel. We believe that combining the two functions into one position will permit the successful completion of required work at one-half the current expense.

Budgeted nonlabor expenses include \$1,500 for lab expenses and pistol range fees. We recommend a reduction of \$750 of this amount

because current expenses for these services are estimated to be less than half the \$826 budgeted in the current year. We also recommend reducing the budget for contract guards and temporary intrusion alarms by \$1,500. The temporary alarms are expected to be withdrawn halfway through the budget year while the practice of providing contract guard service for "special events" should be curtailed in favor of soliciting additional support from other local police units. We propose that the \$5,000 budgeted for travel be reduced by \$2,500 to reflect police services travel needs realistically. Eighty percent of the amount budgeted is for travel outside the district and out of state. This is excessive. Total police travel expenses for the current year are not expected to exceed \$2,000. Finally, we recommend a reduction of \$1,000 from the \$6,000 budgeted for equipment rental. We expect equipment rentals to be less than the total amount budgeted as is the case with the current year expenditures.

The total cost center reduction of \$93,601 is as follows:

<u>Recommended Reductions</u>	<u>Positions</u>	<u>Budget Change</u>
Salaries and benefits		
Police services assistant	(-1)	\$-16,573
Senior police services assistant	(-1)	-20,534
Police officer	(-1)	-21,186
Extended service discrepancy		-29,173
Direct Expenses		
Lab expenses - Range fees		- 750
Contract guards		- 1,500
Travel		- 2,500
Equipment rental		- 1,000
Inflation factor		- 385
Total recommended reduction	(-3)	\$-93,601

TRANSPORTATION

We recommend elimination of 19 positions and reductions in proposed operating expenses in the total amount of \$478,254.

The Transportation Department budget proposes expenditures of \$14,898,270 (excluding capitalized expenses), which is 48.4 percent above estimated current year expenditures of \$10,037,145. The budget reflects 607 proposed positions, versus 456 positions in the current year. Increases in department expenses and staffing are primarily related to proposed service extensions.

The purpose of this department, which includes the Central Operations and Line Operations Divisions, is to perform tasks associated with train control, train operations, and management of stations. Our recommendations are outlined below, by division.

Central Operations (Cost Centers 621 and 622)

This division is responsible for central control of train movement. The addition of personnel for public announcement services are reflected in the Central Operations Division budget, although management and coordination of these positions is the responsibility of the Marketing and Communications Department. Overall staffing for the division reflects an increase of three positions, all of which are requested for extended service needs.

We believe that one maintenance dispatcher position is not justified. Of the five maintenance dispatcher positions, two will be assigned as assistant controllers for train control operations and three

will be requested for public announcement duties. Currently, public announcements are performed by a foreworker who controls the support console in central operations. The division plans to place a separate public announcement console in central control. It is our view that two positions can adequately support public announcement requirements and that central control personnel can provide relief to these positions as well as to others in central operations. We therefore recommend that one proposed maintenance dispatcher position be eliminated for a savings of \$22,302.

Line Operations (Cost Centers 623-626)

The workload of this division includes activities performed by train operators, station agents and supervisory and administrative personnel. Proposed staffing for the division includes an increase of 148 positions, of which 134 are related to extended service (1 supervisor, 17 foreworkers, 60 station agents, 55 train operators, and 1 clerical position). The remaining increases in staffing are requested for other service additions.

We believe that some reduction in train operator and station agents positions is justified. The workload formula for train operators is derived from shift requirements for basic 30-train operations. This formula indicates that a workload base of 138 positions provides an adequate number of operators for revenue service, yard operations, and fallback relief purposes. This workload base also includes eight revenue/yard utility operators. These operators are currently providing

fallback relief along with yard operators because present staffing does not include an adequate number of relief positions. However, it is our belief that these utility operator positions are not justified if the 138 position base level is utilized because provision for relief positions is in this base. We recommend that the eight positions for utility operators therefore be deleted from the workload base.

The 138 position base does not include staffing for test track operations or service additions above 30-train operations. The district is requesting the addition of six positions to the base for test track operations, based on two operators per shift. However, testing occurs primarily during the two evening shifts. We therefore recommend that the addition of test track operators to the base be reduced from six positions to four positions.

To provide staffing for additional trains above basic 30-train service (excluding weekend and full Richmond-Daly City service), the department is proposing the addition of eight positions to the workload base. Currently, three trains have been added to basic service. In our judgment, the present 33-train service requires the addition of six positions, rather than eight positions, to the workload base. Relief for these positions can be provided by fallback personnel already included in the workload base.

Application of our recommendations for adjustment to the staffing formula is shown below, resulting in the need for 175 train operator positions.

<u>Positions</u>	<u>Explanation</u>
138	District workload base
- 8	Deletion of utility operators
130	
+ 10	Addition of four test track operators (versus six per district request) and six operators for new trains (versus eight per district request)
140	
+ 35	Positions required for 20 percent absentee rate.
175	Total, required positions

This total compares with the department request of 188 train operator positions, excluding service extensions for weekends and Richmond-Daly City. We therefore recommend the deletion of 13 train operator positions (transportation worker II) for a savings of \$295,918.

The department budget reflects 157 authorized positions for station agents excluding weekend and Richmond-Daly City service extensions. This staffing figure includes allowances for sick leave, disability, absenteeism, and relief. Station agents are unavailable approximately 18 percent of the time for these reasons. The department has indicated that it is making efforts to reduce this unavailability factor and we believe that 15 percent is an appropriate goal. Application of the reduced factor results in the need for 152 station agent positions. We therefore recommend the deletion of five station agent positions (transportation worker II) for a savings of \$113,339.

In the department's nonlabor budget, we recommend that the expense for leasing of uniforms be reduced by \$30,000 because the expected increase in personnel will be minimal. The allowance for rainjackets to be provided to new train operators may be reduced by \$2,000 because few additional train operators will be hired. We also recommend that the \$11,700 budgeted for trips to transit districts in the eastern and north-east regions of the country is not justified. It is our belief that transportation supervisors can be better trained by close interaction with personnel involved in system operations.

Total recommended reductions for the Transportation Department are as follows:

<u>Recommended Reductions</u>	<u>Positions</u>	<u>Budget Change</u>
Salaries and Benefits		
Maintenance dispatcher	(-1)	\$- 22,302
Transportation worker II	(-18)	-409,257
Direct Expenses (including inflation factor)		
Uniform leases		- 32,010
Rainjackets		- 2,201
Travel expenses		- 12,484
Total recommended reduction	(-19)	\$-478,254

PROCUREMENT AND CAPITAL PROGRAM MANAGEMENT

The department controls and administers all budgeted capital funds and projects. The department further provides general contract management and procurement services for the district, and includes the Litigation Task Force which will support the district's suit against Parsons, Brinkerhoff, Tudor, and Bechtel (PBTB) and others.

The proposed budget includes nine capitalized positions which comprise the Litigation Task Force, an increase of four positions. No staff increases are requested for the remaining portion of the labor budget, and three of these 21 positions are projected to be capitalized. The budget also includes \$715,317 in capitalized support for the litigation efforts. Two additional personnel in the Legal Department (Cost Center 324) are also a part of the litigation work force, and will be capitalized.

Procurement and Capital Programs (Cost Center 602, 604)

We recommend reductions of \$109,101 in specified nonlabor costs.

The proposed budget includes \$100,000 for general consultant studies at the discretion of the Assistant General Manager for Operations, and an associated inflation allowance of \$6,700. No specific studies have been identified for the projected expenditure. In our judgment, should the need for such studies arise they could be funded out of contingency funds or savings in other areas.

The proposed budget also includes a total of \$4,802 for travel, including inflation. Current year expenditures are at an annual level of \$990, well below the budgeted \$1,984. Although more travel will probably be required by this department in the budget year, in our judgment proposed travel expenditures can be reduced by 50 percent to \$2,401.

<u>Recommended Reductions</u>	<u>Budget Change</u>
Consultant studies	\$-106,700
Travel	- 2,401
Total changes	\$-109,101

We also recommend that consideration be given to consolidating the capital programs section of this department and the capital planning section of the Planning, Budgeting and Research Department. Some efficiencies to the district can probably result because there appears to be an overlap of responsibilities between these two areas.



BAY AREA RAPID TRANSIT DISTRICT
800 Madison Street
Oakland, California 94607
Telephone [REDACTED]

APPENDIX

RECEIVED

MAY 21 1976
Statistical Research &
Consulting Division
State Board of Equalization

May 20, 1976

ELMER B. COOPER

PRESIDENT

NELLO J. BIANCO

VICE PRESIDENT

FRANK C. HERRINGER

GENERAL MANAGER

DIRECTORS

JAMES D. HILL

1ST DISTRICT

NELLO J. BIANCO

2ND DISTRICT

RICHARD O. CLARK

3RD DISTRICT

HARVEY W. GLASSER, MD.

4TH DISTRICT

ROBERT S. ALLEN

5TH DISTRICT

JOHN GLENN

6TH DISTRICT

ELLA HILL HUTCH

7TH DISTRICT

ELMER B. COOPER

8TH DISTRICT

JOHN H. KIRKWOOD

9TH DISTRICT

Mr. Jeff Reynolds
Statistical Research and Consulting Division
State Board of Equalization
1020 N Street
P. O. Box 1799
Sacramento, California 95808

Dear Mr. Reynolds:

In a recent conversation I advised you that the total amount of transactions and use tax revenue needed to retire the original \$150 million BART debt was \$177,443,050. You confirmed this amount in your report of April 5, 1976 which you transmitted to me with your letter of April 22, 1976.

I must now inform you that this amount is incorrect in that it did not take into account accrued interest paid by the original purchasers of the bonds and it omitted some of the interest earned by the Trustee. The correct amount is \$175,003,438.

I regret any inconvenience this has caused you.

Sincerely yours


William F. Goetz
Director of Finance

CC Mr. James Cooney

